

> cultivating connections

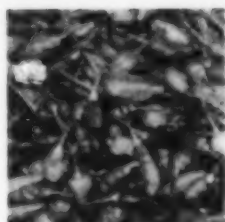


  
**Agricorp**

2005 -  
2006

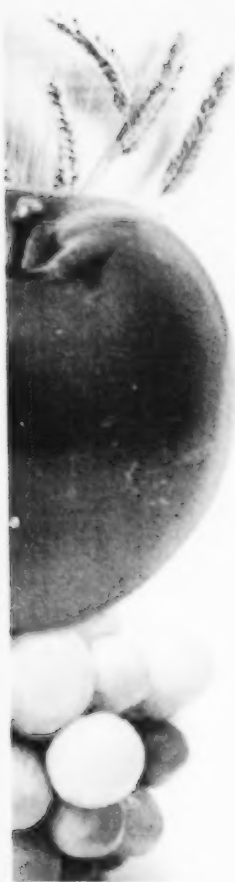
annual report





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# Agricorp Connects

Agricorp is the trusted and efficient partner in delivering programs that help manage agricultural risk. With our excellent customer service and reliable, cost-effective delivery, Agricorp has received national and international recognition. As an agency of the Ontario government, Agricorp delivers government and non-government risk management programs.

Agricorp is progressing in our efforts to improve efficiency and build on our strong reputation for being customer-focused and responsive to the needs of producers. Our experience in program design and delivery give us an advantage in partnering with industry and government to help producers manage all kinds of risks, including financial, food safety, environmental, and market security.

## » Our Vision

To be the recognized providers of agricultural risk management products.

## » Our Mission

- We connect producers with programs. We partner to develop risk management programs that are flexible to the changing needs of agriculture.
- Delivery is our strength. We focus on quality and efficiency in delivering our programs.
- Our people are the foundation of our success. Collaboration and continuous improvement harness our many strengths for a common focus.
- Customers are our priority. We help producers remain financially secure, retain current markets, and reach new ones with professional, quality, and efficient assistance.
- We invest in the future of agriculture. We support our community in becoming a better place to live, work, and prosper.

## » Our Strategic Objectives

Agricorp focuses on these strategic objectives to ensure our continued success and help in our quest for ongoing improvement:

- To be a partner in developing relevant, innovative products and services that help our customers control, manage, and reduce the risk inherent in agriculture.
- To recognize, respect, and satisfy the needs of our customers.
- To improve quality and efficiency in delivering our programs.
- To provide a dynamic environment, enriched by diversity and open communication and characterized by respected and committed employees.
- To be recognized as a contributor who supports a strong community for our employees and our customers.

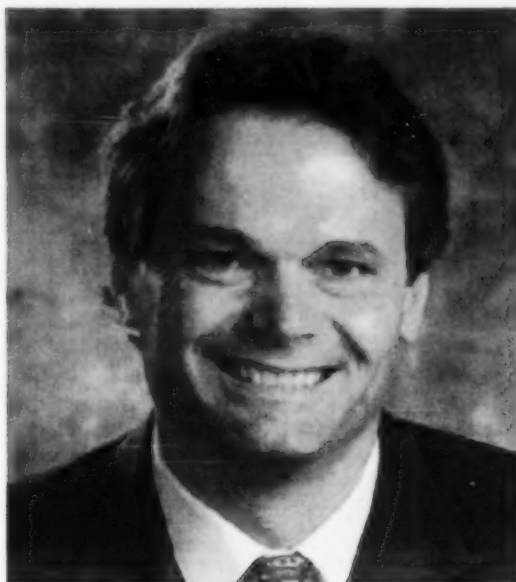
“ Our people are the foundation  
of our success. Collaboration  
and continuous improvement  
harness our many strengths for  
a common future.”



## Our Current Programs and Services

Agricorp's expertise in effective program design and first-rate delivery gives us a strong advantage in expanding into innovative new programs and services. Our current selection of programs covers a broad range of needs in the agriculture and agri-food sectors, including risk management, food safety, and environmental and market security.

- Canadian Agricultural Income Stabilization Program (CAIS)
- Production Insurance (PI)
- Advance Payments Program (APP)
- Banking and investment services for government
- Dairy Credit Program
- Farm Business Registration (FBR)
- Grain Financial Protection Program (GFPP)
- Ontario Apple Growers Project
- Ontario Berry Growers' Association
- Ontario Edible Horticulture Crop Payment (OEHCP)
- Ontario Grain and Oilseed Program (OGOP)
- Plum Pox Eradication
- Product Verification
- Quality Assurance
- Self Directed Risk Management (SDRM)
- Vitis (Vine management system)



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Message from the

# Chair

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My first year as Chair of Agricorp's Board of Directors has been extremely interesting and rewarding as Agricorp continues to meet the changing needs of the agri-food industry.

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Agricorp works in a demanding environment. Agriculture is facing significant challenges on numerous fronts ranging from food safety and security to environmental regulations and low commodity prices. These challenges underscore the need for the kinds of programs and effective delivery that Agricorp provides.



Our overall business strategy aims to strike a balance between addressing our day-to-day tasks and achieving business improvements that allow us to gain efficiencies.



The direction from the Minister is very clear. We must work to improve service and still maintain the high standards of quality and program integrity that Agricorp is known for. As a Ministry partner, Agricorp continues to focus heavily on providing excellent customer service, while looking for ways to enhance performance. Our overall business strategy aims to strike a balance between addressing our day-to-day tasks and achieving business improvements that allow us to gain efficiencies.

In support of this initiative to improve, to stay relevant, and to build for the future, we have concentrated significant effort on business planning. To this end, Agricorp has relied heavily on our staff to take on new and greater responsibilities. I would like to thank them for their hard work, their passion, and their unwavering dedication to Agricorp and to Ontario's agri-food industry.

Many challenges lie ahead. Governments will continue to announce program changes in response to environmental and global factors, industry trends, and changing producer needs. Agricorp has always been extremely responsive

to program change, and highly efficient in terms of program delivery. Although we are ahead of other provinces on several fronts, we cannot become complacent. We must continue to invest in modernizing our business processes and supporting technology. Our business plan is the beginning of an aggressive strategy to ensure that Agricorp is ready for whatever challenges the future may bring.

Moving forward, we must continue to allocate resources wisely so we may keep pace with the technology and delivery advances realized by other jurisdictions, and meet the Ministry's high expectations for serving the producers of Ontario.

I would like to thank our Board and the Ministry for their support of our efforts to grow and evolve. With their ongoing support, I believe that Agricorp is on the right track to cultivating our continued success.



Liam McCreery



Standing, left to right:  
John Van Turnhout, Vaughn Stuart, Gerald Boudry,  
Liam McCreery, Eliahu Henry Aukema  
Seated, left to right:  
Chris Button, George McCaw, Lerry Van Acker

# Board of Directors

Agricorp's Board of Directors consists of farm leaders and agri-business professionals nominated by the Minister of Agriculture, Food and Rural Affairs, and appointed by the Lieutenant Governor. The Board is responsible for setting Agricorp's strategic objectives and ensuring good governance, by:

- Setting the strategic direction for Agricorp
- Providing fiduciary and operational oversight
- Ensuring policies and reporting are being implemented effectively
- Hiring the CEO and managing the CEO relationship
- Liaising with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)
- Monitoring and evaluating their performance in achieving Agricorp's vision and mission.

The Board of Directors has focused considerable energy into developing and enforcing appropriate structures and processes to direct Agricorp and hold it accountable. A key component of good corporate governance is clearly defined roles, responsibilities, and relationships between the government, the Board, and senior management. The Board has developed a Governance Handbook to foster good corporate governance at Agricorp.

The Board has also established a Finance and Audit Committee to oversee and advise on the financial management of Agricorp, including the auditing of the accounts and financial transactions, and the governance of the employee pension plan. The committee members are Chris Button, Henry Aukema, Vaughn Stuart, George McCaw, and Liam McCreery.

“

“A key component of good corporate governance is clearly defined roles, responsibilities, and relationships between the government, the Board, and senior management.”

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### Mr. Liam McCreery (Chair)

Tenure with AgriCorp Board: October 7, 2004 – October 7, 2007

Mr. McCreery graduated from the University of Guelph with a degree in economics and from Wilfrid Laurier University with a graduate diploma in Business Administration. He previously served as chair of the Ontario Soybean Growers and is a former member of the board of the Guelph Food Technology Centre. Other board appointments include the Canadian Agri-Food Trade Alliance and the Deputy's Advisory Group for Life Sciences. He owns and operates a cash crop farm in the Woodstock area.

### Mr. Henry Aukema

Tenure with AgriCorp Board: June 2, 2004 – June 1, 2007

Mr. Aukema was born and raised on a farm and currently owns and operates his own cash crop and hog finishing operation in Middlesex County. He received a diploma in Agricultural Production and Management from Ridgeway College of Agricultural Technology. He is a founding member and past president of the London-based Parents of Technologically Dependent Children, and past president of the Christian Farmers Federation of Ontario, Middlesex County Pork Producers, and Strathroy Community Christian School. Mr. Aukema also served as Chair of AgriCorp's Crop Insurance Committee before reappointment to the Board in 2004.

### Mr. Gérald Beaudry

Tenure with AgriCorp Board: June 7, 2005 – June 11, 2008

Mr. Beaudry lives in Verner, a farming community of Nipissing District, where he has grown pedigree seed for the past 20 years. A former teacher of math and science at École Secondaire Franco-Cité Sturgeon Falls, he has served as a school trustee and as a municipal councillor. Presently, he is a provincial director of l'Union des cultivateurs franco-ontariens, provincial director of the Ontario Soil and Crop Improvement Association, and local president of West Nipissing Soil and Crop Improvement Association. Mr. Beaudry is a long-time supporter of research at the Verner test site, managed by the New Liskeard Agricultural Research Station.

### Mr. Chris Button

Tenure with AgriCorp Board: July 5, 2004 – July 4, 2007

Mr. Button has provided financial services to people in the agri-food business since 1985. As a partner in the firm of DenHarder McNamers Button, Certified General Accountants, he advises clients on business finances and tax matters. He graduated from the University of Western Ontario in 1983 with a B.A., and has since achieved his C.F.P., C.G.A., and Trust and Estate Practitioner designations. Since 1999, Mr. Button has held several executive positions in the Aylmer and Area Chamber of Commerce and with the Business Retention and Expansion Project.

### Mr. George McCaw

Tenure with AgriCorp Board: March 2, 2005 – March 1, 2008

Mr. McCaw was raised on a cattle and grain farm in Middlesex County. After graduating from the University of Guelph with an M.Sc. in Agricultural Economics, he worked in Ottawa for the federal Department of Finance. Mr. McCaw worked as a policy advisor in 1990 at the Ontario Ministry of Agriculture and Food (OMAF), then at Ridgeway College from 1990 to 1996. Moving to Guelph in 1996, his focus was business risk management programs, including Production Insurance and the Canadian Agricultural Income Stabilization (CAIS) program. Mr. McCaw worked for two years as Director of OMAFRA's Financial Management Branch and is currently Director of OMAFRA's Farm Finance Branch.

### Mr. Vaughn Stuart

Tenure with AgriCorp Board: March 21, 2005 – March 22, 2008

Mr. Stuart recently retired as Head of the Agriculture and Agribusiness Markets for RBC Royal Bank in Ontario. He holds a B.Sc. (Agr) from McGill University and a Masters in Agricultural Economics from Pennsylvania State University. At the Royal Bank, he spent fifteen years in Niagara both as a bank agrologist and Account Manager. He spent six years in Elmira as Business Centre Manager and was the Sales and Market Manager for Ontario Agriculture for the past four years. Prior to his banking career, Mr. Stuart worked both for Agriculture and AgriFood Canada and the Ontario Ministry of Agriculture and Food.

### Mr. Larry Van Acker

Tenure with AgriCorp Board: June 11, 2005 – June 11, 2008

Mr. Van Acker currently operates a cash crop farm in the Aylmer area. A tobacco grower for 35 years, he served as a committee member and director of the Ontario Flue-Cured Tobacco Growers' Marketing Board (OFTGMB). He was also active on the local Agriculture Employment Board and the Agricultural Labour Relation Task Force, the Ag-Care Board, the Labour Issuing Coordination Committee, and the Labour Committee with Ontario Flue-Cured Tobacco Board. Mr. Van Acker was active in developing health and safety guidelines for the Ontario Tobacco Producer's manual for the OFTGMB.

### Mr. John Van Turnhout

Tenure with AgriCorp Board: June 14, 2005 – June 13, 2008

Mr. Van Turnhout lives in Berwick, a small farming community southeast of Ottawa. He has been farming since the mid-1960s, in dairy, cash crop, and custom work. An active member of the community, he has served as Director of the St. Lawrence River Institute of Environmental Sciences and was a founding member of Stormont-Dundas-Glenora Land Stewardship Program. Mr. Van Turnhout was also program leader for the Environmental Farm Plan for Stormont County.





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Message from the

# CEO

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This past year, Agricorn staff were committed to improving operations while managing an increasingly complex and high volume of work within an aging technology infrastructure. This reality, combined with a significant number of program changes and expectations, required us to look at different approaches to ensure we are well positioned for the future.

Meeting the expectations of our clients and stakeholders, as well as our own, is proving to be more challenging than ever. But there are many positive results to show from our work. In this report, you will note that Agricorn continues to lead the country in the processing of CAIS files and has made



We are proud of our many successes given the scope and magnitude of the issues we are managing in a very challenging environment.



solid progress in the development of new products and enhancements to existing programs. Some examples include: the re-designed forage rainfall program, which is now more flexible and responsive to the needs of our customers; the integration of Agricorp's two call centres, a significant step forward in enabling us to provide a one-window experience for our customers; and the prompt delivery of the Ontario Grain and Oilseed Program and the Ontario Edible Horticulture Crop Payment. By year end, Agricorp will have delivered all of the \$115 million announced for the horticulture and grain and oilseed sectors.

Agricorp continues to be among the lowest cost providers of these programs, which also demonstrates our focus on efficiency. Our staff has shown professionalism in maintaining a positive outlook, and seeking ways to improve how we collaborate with the industry and each other as we respond to difficult issues. I would like to give a High Five (the name of our new employee recognition program – see page 15) to all the staff at Agricorp in recognition of their efforts to live our core qualities on a daily basis. Agricorp also thanks our colleagues at the Ministry of Agriculture, Food and Rural Affairs and Agriculture and Agri-food Canada.

Our most significant management challenge is ensuring that our day-to-day operations and customer service are on track, while at the same

time working to modernize our business processes and supporting technology to meet our future goals. Many of our processes are manually intensive and our current systems are neither integrated nor flexible. Even small changes can take several months to implement. To overcome this, we have been working to improve our internal management processes such as business planning, project management, and performance management. Initial work completed through a significant business improvement initiative will confirm the next steps we need to take to make sure the right resources are allocated to the right priorities.

We are proud of our many successes given the scope and magnitude of the issues we are managing in a very challenging environment. I am confident that we are focused on the right things for today as well as tomorrow. Looking ahead, we must continue to strengthen our partnership with the Ministry, maintain our focus on implementation, and allocate sufficient resources to renew our infrastructure, so that Agricorp can continue to serve our customers well, and successfully deliver on the governments' strategic priorities.

Randy Jackiw

# Breaking New Ground

The challenges producers faced this year were many and Agricorp responded with enhanced risk management programs and crop management technology. Our ability to work collaboratively and form partnerships was integral to our success and will guide us in our efforts to continue serving our clients.

## Our Strategic Objective

To be a partner in developing relevant, innovative products and services that help our customers control, manage, and reduce the risk inherent in agriculture.

## Results

### Enhanced Horticulture Plans

Working to provide new solutions for the horticulture sector, Agricorp developed a three-year plan with the horticultural industry to enhance coverage under existing Production Insurance plans and to create new ones. Last year, we increased coverage levels for asparagus, recalculated its claim price, and revised the underwriting for new varieties.

This year, Agricorp introduced enhanced basic coverage. It allows producers to write off fresh yield that is significantly damaged by hail. The grape plan, which previously had separate coverage for labrusca grapes, now features separate coverage for French hybrids and vinifera grapes. In addition the pepper plan is now split into two separate plans; one covering bell peppers and one covering banana peppers.

### Organic Soybeans Option

For the first time, in 2006, Ontario's organic soybean growers have the option to purchase coverage that is tailored to the specific needs of organic soybeans. Recognizing the



growing importance of the organic soybean sector and its need for a better risk management program, Agricorp responded by adding a differential value crop option to the Production Insurance plan for soybeans.

The Organic Soybeans Option accounts for differences in the marketplace and average farm yield between organic soybeans and those grown under conventional production methods. Agricorp worked hard to gather the necessary historical data from the organic sector and quickly put into place the processes needed to make this option available to producers this year.

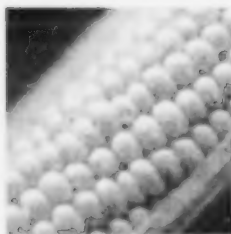
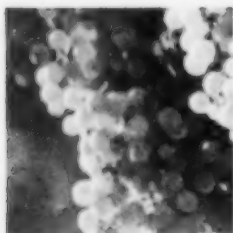
### Enhanced Forage Rainfall Plan

Agricorp enhanced the Forage Rainfall Plan to better suit the needs of our customers by adding more flexibility to the plan for 2006. Improvements to the plan include: reducing the Daily Rainfall Cap from 70 mm to 50 mm to better reflect the benefit forage receives from rainfall

“In 2006, Agricorp developed the world's first organic-specific Production Insurance plan, the Organic Soybeans Option. This plan was designed to meet the specific needs of organic soybean growers and provide them with the same level of risk management as conventional growers. This was a significant milestone for Agricorp and the organic sector in Ontario.”

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## Breaking New Ground



events; reinstating the Monthly Rainfall Weighting Option, which recognizes the importance of early season rainfall in single-cut forage by giving greater importance to rainfall in May and June; and the new Bi-monthly Drought Calculation Option, which recognizes the importance of rainfall prior to each cut in multi-cut forage by calculating claims for May and June separately from July and August. These changes should make the enhanced Forage Rainfall Plan more responsive to our customers' needs.

### Evolving the Vitis Success

Vitis is a web-based crop management tool that uses global positioning technology to track vine inventories, yield, quality, and production protocols for grapes. In 2005, Agricorp continued the excellent work begun last year by mapping and recording production data for most Ontario vineyards, including 70 percent of vineyards enrolled in Production Insurance.

In January, the Grape Growers of Ontario, one of Agricorp's partners in the Vitis project, was awarded Company of the Year for Innovation in the Niagara Region. Industry recognition and awareness resulted in a contract with the Ontario Apple Growers to adapt Vitis to map orchards and collect production data for apples.

This crop management tool will help producers of grapes, apples, and other high-value crops to increase their yields and returns by providing and correlating essential information related to soil, climate, crop varieties, and cultural practices. A key strategic benefit for Agricorp is the ability to record customer and production data at the field and orchard level, rather than at the enterprise level as we have done historically.

Ultimately, this tool will support enhanced product design and delivery of Production Insurance and CAIS. It will expand on the Vitis success by providing a new approach to data management, enabling Agricorp to offer better products and services, through better collection and use of more comprehensive data.

# Cultivating Success



Agricorp, like the customers we serve, has faced numerous challenges over the past year. Producers have called on governments to provide more effective programs to help them confront the mounting challenges facing Ontario's agri-food sector. Agricorp has responded by delivering several ad hoc programs, and adapting to numerous program changes to help meet the changing needs of our customers.

Amidst the challenges of 2005-06, Agricorp can take pride in many successes, as we continue to streamline our processes and find new ways to serve our customers better.

## Our Strategic Objectives

To recognize, respect, and satisfy the needs of our customers.

To improve quality and efficiency in delivering our programs.

## Results

### Ad Hoc Program Payments

On March 6, 2006, the provincial government announced immediate financial assistance to Ontario farmers in the form of two ad hoc payments: the Ontario Grain and Oilseed Program, and the Ontario Edible Horticulture Crop Payment. Within six weeks of this announcement, Agricorp issued more than 20,000 cheques to Ontario producers of grains, oilseeds, and edible horticulture products. By year end, Agricorp expects to have delivered all of the \$115 million promised in funding. Thanks to the IT development completed to accomplish this task, Agricorp was able to deliver on our commitment to producers several days earlier than promised. With a newly established in-house process for producing cheques, Agricorp expects to be in a position to deliver any future ad hoc programs even faster.

### CAIS File Processing

Processing CAIS files quickly is very important to Agricorp's customers, many of whom count on receiving timely benefits from this key risk management program. In keeping with our reputation of providing fast, efficient delivery, Agricorp ranks number one in the country in completion of CAIS files. As of March 31, 2006, Agricorp had completed 95 percent of 2004 files and 16 percent of the 2005 files that had been received by that date. Our processing time has improved dramatically since the inception of the CAIS program (2004 file processing was seven months ahead of 2003 file processing). Although we have made significant progress in our CAIS file processing, we know that we are not yet meeting our customers' expectations. We must continue to improve our processes and technology so that we can meet the needs and expectations of our customers, and maintain our high ranking in CAIS program delivery.

### Plum Pox Eradication

Plum Pox Virus was first detected in Ontario in the spring of 2000. It is considered one of the most serious viruses affecting stone fruit, with the potential to devastate stone fruit production. Since 2001, when Agricorp and the Canadian Food Inspection Agency began working together to support the federal-provincial plum pox eradication strategy, Agricorp's sampling and testing volume has doubled each year. In 2005, Agricorp's sampling volume increased to just under a million samples. We also conducted winter sampling of dormant wood, giving inspectors a head start on containing the virus before it can spread. The goal is to eradicate plum pox in Ontario. According to an independent panel of foreign plum pox experts who have analyzed the test results, the occurrence of the virus is on the decline and eradication is possible.

### Enhancements to Production Insurance

As one of Agricorp's foremost business risk management programs, Production Insurance (PI) offered some significant improvements



“ The new Agricorp Call Centre provides Ontario farmers with one-window access to all of Agricorp's business risk management programs. ”



## Production Insurance Performance Indicators for 2005-06

Service	Rating/Result
Quality of Service from Call Centre	85% (internal rating)
Turnaround Time for Processing PI Claims/Applications	14-15 days
Application/Claim Processing Accuracy (Dollar Unit Sampling)	0% error rate

in 2005-06. There were 17,405 Ontario producers enrolled in Production Insurance for this fiscal year, insuring over 4.4 million acres of farmland. This represents a 1.52 percent growth in new insured acres over 2004-05. Other improvements included the introduction of two new PI plans and 18 plan enhancements. Agricorp also received high marks from the annual Customer Satisfaction Survey in terms of our Production Insurance service, staff knowledge, and communications materials. Our Call Centre staff received an internal rating of 85 percent in terms of program knowledge and quality of service. Our turnaround time for processing PI claims and applications was 14 to 15 days. Although this exceeded our target of 10 days, we scored a perfect accuracy rating.

Agricorp will continue to work closely with customers and industry stakeholders to continually improve the service, selection, and plan options available under PI.

### Integrated Call Centre

Since assuming delivery of the CAIS program in December 2004, Agricorp has integrated the separate CAIS Call Centre with the existing Customer Action Centre. The new Agricorp Call Centre provides Ontario farmers with one-window access to all of Agricorp's business risk management programs. To achieve this goal, all 45 customer service staff were fully trained on the details of Agricorp's four major programs: Production Insurance, CAIS, Farm Business Registration, and Self-Directed Risk Management. Merging the two call centres during a very busy time brought on by an early harvest resulted in some significant challenges for Agricorp and some longer than normal wait times for customers, but we learned from this experience and managed to quickly resume our usual customer service levels. As part of the integration, the Customer Relations Unit was created to help ensure that our customers enjoy a quality, professional experience when dealing with Agricorp.

Program	Number of Calls	Service Level Objective	Actual Service Level
Production Insurance	89,300	90%	89%
CAIS	58,073	95%	99%
Farm Business Registration	16,387	95%	94%
Self-Directed Risk Management	1,915	95%	99%



# Cultivating Our people

Our people are the foundation of our success. We nurture and challenge one another as individuals to continuously learn and grow.

Agricorp boasts a staff of approximately 400 highly qualified and professional employees located at the head office in Guelph, and in field offices throughout the province. All of our employees, whether full-time, contract, or seasonal, are dedicated to upholding Agricorp's core qualities of being professional, proactive, efficient, quality-focused, and collaborative.



Standing left to right:

Chris Horbász, Lee Ann Lennox, Randy Jackiw (CEO), Roger Donais, Rolly Stroeter, Gail Simkus

Seated left to right:

Mike McMorris, Jocelyn Gallagher, Stephen Ip

Absent: Greg Brown

## Our Strategic Objective

To provide a dynamic environment, enriched by diversity and open communication and characterized by respected and committed employees.

## Results

### Code of Ethics

Agricorp introduced a new Code of Ethics that sets out the standards of behaviour that Agricorp expects from its board members and employees. The Code provides a set of guidelines and ethical standards to be followed by all Agricorp representatives in the day-to-day performance of their duties. The Code is publicly available on Agricorp's website.

### Employee Recognition Program

Agricorp also launched a new Employee Recognition program called High Five. This program is intended to promote a culture of recognition at Agricorp, encouraging co-workers to recognize employees for their individual contributions and the collaborative efforts of teams. High Five recognizes employees who demonstrate initiative, positive attitude, exceptional performance, and dedication to our core qualities. The program will be extended in the near future to allow customers to nominate Agricorp employees.

*During my tenure as Minister of Agriculture, Food and Rural Affairs, I have consistently been impressed by your team's dedication to customer service. Your agency has established a reputation for sensitivity and flexibility in meeting the needs of our mutual customers, and it is a pleasure to work with you.*

*— Leona Dombrowsky  
Minister of Agriculture, Food and  
Rural Affairs*



# Roots

in the community

Agricorp invests in the future of the agricultural community. As a good corporate citizen, we actively support our community in becoming a better place to live, work, and prosper. By supporting worthy organizations in our community, Agricorp is helping secure a strong and healthy future for youth and for agriculture.



## Our Strategic Objective

To be recognized as a contributor who supports a strong community for our employees and our customers.

## Results

### 4-H Ontario

4-H Ontario helps youth between the ages of 10 and 21 develop important leadership skills and self esteem. During the 2005-06 fiscal year, Agricorp contributed \$7,500 to 4-H Ontario for the purchase of new achievement plaques for 4-H members. Agricorp also sponsored the putting contest at the 5th Annual Ontario 4-H Foundation Golf Tournament and Banquet, raising an additional \$860 for 4-H Ontario.

### Advanced Agricultural Leadership Program (AALP)

AALP is a 19-month executive development opportunity for adults who are actively participating in Ontario's agriculture and food industry. AALP provides future leaders with the skills, knowledge, broad perspective, and positive outlook required to sustain our industry into the future. Agricorp contributed \$7,500 to the program in 2005-06, and also sponsored a staff member to participate in each class of the AALP.

### Ronald McDonald House in Hamilton

Ronald McDonald Houses provide a home away from home for families of sick children who are undergoing treatment at nearby hospitals. Agricorp staff have been sponsoring Ronald McDonald House - Hamilton (RMH) as their chosen charity since 1998. In 2005-06, Agricorp staff raised \$10,300 for RMH - Hamilton through raffles, a pancake breakfast, and an annual donations drive.

“Agricorp is helping secure a strong and healthy future for youth and for agriculture.”

*The strength of the 4-H program comes from many volunteers who devote time, energy and resources for the personal development of our youth. With sponsors like you, our leaders will be able to continue their work building future leaders.*

*Dianne Winter, President  
Chatham-Kent 4-H Association*



## On the Horizon



Moving forward, Agricorp  
will seek new ideas and  
initiatives to help us progress  
along our path of continuous  
improvement



Agricorp's role in the Ontario agri-food industry has evolved to encompass key service areas under the five pillars of the Agricultural Policy Framework (APF): food safety and quality, environment, industry renewal, science and innovation, and business risk management. With discussions about phase two of the APF now underway, Agricorp is well positioned to play a potential role in the review and future direction of the APF.

### Delivery of Business Risk Management Programs

Our objective is to improve quality and efficiency in delivering our programs. Effective and efficient internal processes and technology will enable Agricorp to satisfy the needs of our customers. We will focus on continuously improving the quality, value, and flexibility of our delivery infrastructure, and meeting our partners' standards for service, compliance, and security.

Continually improving our relationships with our partners and other jurisdictions will enable Agricorp to remain responsive, meet expectations, and participate in policy decisions that affect delivery. To remain the deliverer of choice, Agricorp must ensure that our costs of delivery and turnaround times are competitive with other jurisdictions. Integrating the delivery of complementary programs will result in more efficiencies, providing even more value to our customers.

### People

Agricorp's current and future viability depends on our ability to attract, retain, and motivate the most talented employees. Agricorp will continue to integrate human resources planning with the organization's business planning to ensure that the right people are in place at the right time to deliver key services.



## On the Horizon

Specifically, implementing an organization-wide learning strategy will build the skills and knowledge of our staff. Performance planning will guarantee that our staff are achieving strategic results. Succession planning will groom strong leadership skills and competencies in those who have the potential to become future leaders of Agricornp.

### Customer Service

Agricornp will continue to build our reputation with improved customer satisfaction and enhanced dispute resolution processes. We will further enhance our customers' one-window service experience by integrating the systems that support our program delivery and customer service capabilities.

### Product Market Commitment

Agricornp's unique perspective as a crown corporation enables us to look objectively at current programs, anticipate future needs, and help the industry to effectively design, deliver, and verify products that manage risk at the producer level. Over the

coming years, Agricornp plans to expand our reputation beyond delivering CAIS and Production Insurance to becoming a key partner in helping producers manage risk. One such way is to offer food safety and environment programs to Ontario producers.

In the future, Agricornp will play a bigger role in the annual review of policy, and will work closely with industry and government to design, develop, and deliver new programs. In addition, Agricornp will capitalize on our relationship with other jurisdictions to enhance our current products and ensure their relevance.

### Community

In the coming years, Agricornp will continue to support our future agricultural leaders through established relationships like 4-H Ontario and the Advanced Agricultural Leadership Program.

### Moving Forward

Moving forward, Agricornp will seek new ideas and initiatives to help us progress along our path of continuous improvement. We will continue to cultivate connections, enabling us to contribute to the future success and prosperity of Ontario producers.

# Financial

## Highlights

In 2005-06, Agricorp delivered \$512 million to Ontario farmers, up from \$490 million in 2004-05. Following are the programs under which Agricorp delivered these funds.

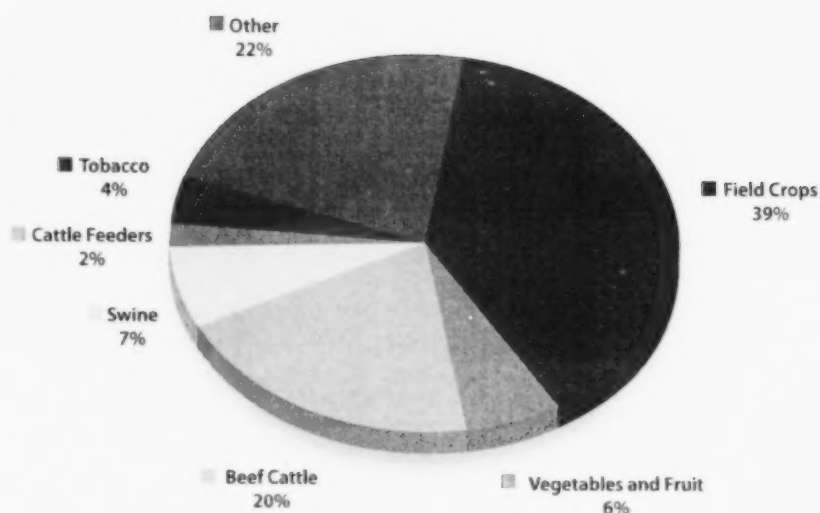
### CAIS Program

The CAIS program has continued to evolve since Agricorp began delivering the program in December 2004. In 2005-06, over 11,000 of the 26,000 CAIS participants received program benefits totalling \$257 million. CAIS payments were supplemented by funding under the General Top-Up program and the Production Insurance Premium Adjustments (PIPA) that support the CAIS-PI linkage. Agricorp delivered \$34 million in additional funds under the General Top-Up program.

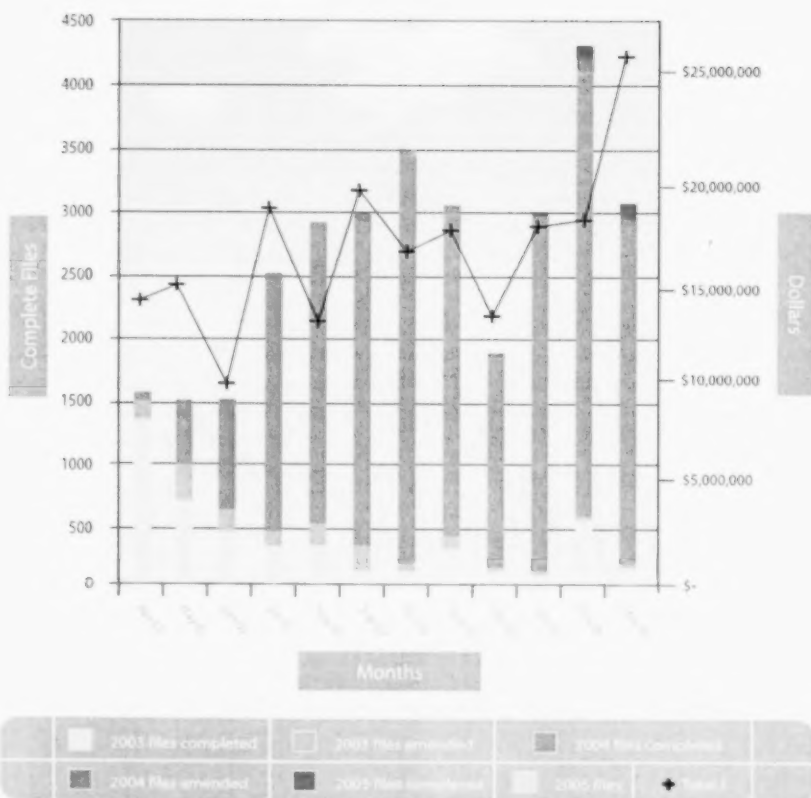
### Production Insurance Fund

Good growing and harvesting conditions in 2005, offset by low commodity prices for corn and canola, resulted in claims of \$64 million, up from \$39 million in 2004. The PI fund balance now stands at \$251 million, up from \$210 million in 2004. As a result of the increase in our fund balance, Agricorp expects to offer lower premiums to Ontario producers in 2006.

2004 CAIS Program Year  
— Distribution of Benefits by Sector



Delivery Performance for the CAIS Program for Fiscal Year 2005



## Production Insurance Statistics

As of June 1, 2006	2004	2005	2006* (Estimates)
Contracts	38,499	37,651	—
Acres	4,441,627	4,469,058	—
Liability	\$1,262,733,731	\$1,208,061,073	\$1,404,000,000
Premiums	\$133,825,786	\$109,076,100	\$107,700,000
Claims	\$39,493,346	\$64,343,393	—

\* Forecasts – Liability for apple trees and grape vines estimated at \$146 million, premium at \$2.6 million.



## Financial Highlights

### Ontario Ad Hoc Programs

The province announced two new ad hoc programs in 2005-06 to target immediate assistance to producers of edible horticulture crops, grains, and oilseeds. Agricorp accounted for \$35 million under the Ontario Edible Horticulture Crop Payment and \$80 million under the Ontario Grain and Oilseed Program.

### Plum Pox Eradication Program

In 2005-06, Agricorp accounted \$12 million under the Plum Pox Eradication program.

### Self-Directed Risk Management Program

In 2005-06, Agricorp accounted \$28 million under the Self-Directed Risk Management program.

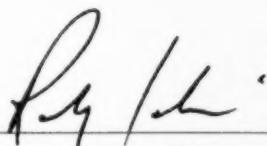
### Recovery of Overpayments

Agricorp is continuing with the policy to collect and recover overpayments from other government-funded programs that we deliver. During the BSE crisis in 2003 and 2004, program payments were advanced to affected producers through the new CAIS program, resulting in overpayments to those producers who subsequently chose not to enroll in CAIS.

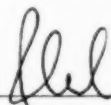
### Notes

- The financial statements have been changed to disclose the increased activities under various programs as shown in the segmented table in Note 13.

## Management's Responsibility for Financial Reporting



Randy Jackiw  
Chief Executive Officer



Rolly Stroeter  
Chief Financial Officer

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities, that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements. The financial statements have been examined independently by the Office of the Provincial Auditor on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.



Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

*Auditor's Report*

To AgriCorp  
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2006 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
June 6, 2006

Gary R. Peall, CA  
Deputy Auditor General

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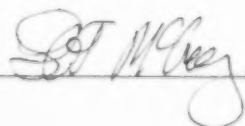


## > Balance Sheet as of March 31, 2006

	General Fund	Production Insurance Fund	Canadian Agricultural Income Stabilization Program	Ontario Grain & Oil Seed Program	Other Programs (Note 13)	Total 2006	Total 2005
	(\$ 000)						
<b>ASSETS</b>							
Cash	358	490	1,682	27	468	3,025	1,700
Accounts receivable (Note 4)	6,428	3,994	383,923	981	49,755	445,081	326,465
Investments (Note 6)	3,981	267,473	—	78,973	57,928	408,355	238,228
Due from the Minister of Finance (Note 7)	—	—	—	—	427	427	79,947
Capital assets (Note 8)	2,988	—	—	—	—	2,988	1,352
Funds under administration (Note 5)	220	—	—	—	—	220	9,595
	13,975	271,957	385,605	79,981	108,578	860,096	657,287
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Bank indebtedness	—	—	—	—	307	307	5,553
Accounts payable and accrued liabilities	3,077	180	43,127	—	7,789	54,173	88,121
Unearned premiums and revenue (Note 10)	3,068	16,165	3,302	—	—	22,535	17,786
Provision for unsettled indemnities	—	4,132	338,280	79,981	100,473	522,866	318,270
Funds under administration payable (Note 5)	220	—	—	—	—	220	9,595
	6,365	20,477	384,709	79,981	108,569	600,101	439,325
<b>Fund Balances (Note 1)</b>	7,610	251,480	896	—	9	259,995	217,962
	13,975	271,957	385,605	79,981	108,578	860,096	657,287

On behalf of the Board:

Chair



Chief Executive Officer



See accompanying notes to financial statements.



Statement of Operations and Fund Balances  
For the Year Ended March 31, 2006

	General Fund	Production Insurance Fund	Canadian Agricultural Income Stabilization Program	Ontario Grain & Oil Seed Program	Other Programs (Note 13)	Total 2006	Total 2005
	(\$ 000)						
<b>Revenue</b>							
Operating funding – Ontario and Canada (Note 9)	25,086	—	—	—	—	25,086	15,720
Premiums/contributions from producers	—	44,562	896	—	13,997	59,455	66,320
Funding – Ontario and Canada (Note 3)	—	64,506	258,499	79,981	94,700	497,686	422,671
Sales, consulting and other services	9,709	—	—	—	—	9,709	5,470
Investment income	196	11,499	—	—	120	11,815	10,708
Bad debt recoveries	—	—	—	—	13	13	—
	34,991	120,567	259,395	79,981	108,830	603,764	520,889
<b>Expenses</b>							
Indemnities (Note 12)	—	66,386	257,250	79,981	108,821	512,438	490,261
Reinsurance (Note 11)	—	12,134	—	—	—	12,134	13,623
Selling, general and administrative	33,689	—	—	—	—	33,689	20,739
Depreciation	1,309	—	—	—	—	1,309	918
Bad debts	—	912	1,249	—	—	2,161	765
	34,998	79,432	258,499	79,981	108,821	561,731	526,306
Excess (deficiency) of revenue over expenses	(7)	41,135	896	—	9	42,033	(5,417)
Fund balance, beginning of year	7,617	210,345	—	—	—	217,962	223,379
Fund balance, end of year	7,610	251,480	896	—	9	259,995	217,962

See accompanying notes to financial statements.

➤ Statement of Cash Flows  
For the Year Ended March 31, 2006

	General Fund	Production Insurance Fund	Canadian Agricultural Income Stabilization Program	Ontario Grain & Oil Seed Program	Other Programs	Total 2006	Total 2005
	(\$ 000)						
<b>Cash Flows from (used in) Operating Activities</b>							
Excess (deficiency) of revenue over expenses	(7)	41,135	896	—	9	42,033	(5,417)
Adjustments to reconcile net income to funds provided by operating activities							
Depreciation	1,309	—	—	—	—	1,309	918
Net change in working capital	445	12,613	(2,410)	79,000	46,653	136,301	106,518
<b>Cash flows from (used in) operating activities</b>	<b>1,747</b>	<b>53,748</b>	<b>(1,514)</b>	<b>79,000</b>	<b>46,662</b>	<b>179,643</b>	<b>102,019</b>
<b>Cash Flows from Investing Activities</b>							
Purchase of capital assets	(2,945)	—	—	—	—	(2,945)	(1,004)
(Increase) Decrease in investments	499	(53,901)	7,493	(78,973)	(45,245)	(170,127)	(104,793)
<b>Cash flows from investing activities</b>	<b>(2,446)</b>	<b>(53,901)</b>	<b>7,493</b>	<b>(78,973)</b>	<b>(45,245)</b>	<b>(173,072)</b>	<b>(105,797)</b>
<b>Net increase (decrease) in cash</b>	<b>(699)</b>	<b>(153)</b>	<b>5,979</b>	<b>27</b>	<b>1,417</b>	<b>6,571</b>	<b>(3,778)</b>
<b>Cash (Bank indebtedness) at beginning of year</b>	<b>1,057</b>	<b>643</b>	<b>(4,297)</b>	<b>—</b>	<b>(1,256)</b>	<b>(3,853)</b>	<b>(75)</b>
<b>Cash (Bank indebtedness) at end of year</b>	<b>358</b>	<b>490</b>	<b>1,682</b>	<b>27</b>	<b>161</b>	<b>2,718</b>	<b>(3,853)</b>

See accompanying notes to financial statements.

## 1. Nature of Operations

The AgriCorp Act, 1996 established AgriCorp as a Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other related products and services to the farm, food, and rural sectors of Ontario. Safety net plans include Production Insurance, the Canadian Agricultural Income Stabilization Program, and the Ontario Grain and Oil Seed Program in addition to a number of smaller programs that provide various forms of assistance to farmers.

The Production Insurance Fund (Ontario Crop Insurance Fund) was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, the Fund provides growers with protection against yield reduction caused by natural perils.

The Canadian Agricultural Income Stabilization Program was established under the Canada-Ontario Implementation Agreement, which came into effect April 1, 2003. The program provides agricultural producers with protection against declines in farm income. In December 2004, the Corporation assumed responsibility for the delivery of this program from the Ontario Ministry of Agriculture, Food and Rural Affairs.

The Ontario Grain and Oil Seed Program Agreement came into effect on February 21, 2006 and expires March 31, 2007. The program provides compensation to eligible grain and oil seed producers for losses experienced on their 2005 crops.

Since January 2001, the Corporation has also been responsible for the delivery of the Farm Business Registration Program established under the Farm Registration and Farm Organizations Funding Act, 1993. The Corporation's obligations under an agreement with the Ministry primarily include registration of farm businesses, collection of registration fees and, after

deducting an administrative charge, forwarding the net fees to Ontario's accredited General Farm Organizations.

## 2. Significant Accounting Policies

### (A) BASIS OF ACCOUNTING

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

The Corporation uses fund accounting whereby each safety net program's activities are accounted for in segregated funds. The General Fund is used to account for all administrative costs and revenues, as well as for all unsegregated activities.

### (B) CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets as listed below.

<b>Furniture and fixtures</b>	<b>4 years</b>
<b>Vehicles</b>	<b>4 years</b>
<b>Machinery and equipment</b>	<b>4 years</b>
<b>Computer hardware</b>	<b>3 years</b>
<b>Computer software</b>	<b>2 years</b>
<b>Leasehold improvements</b>	<b>5 years</b>

### (C) PENSION PLAN

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and any adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

## 2. Significant Accounting Policies (Continued)

### (D) INVESTMENTS

Interest income, gains and losses on disposal, amortization of premiums and discounts, and write-downs to market value are generally reported in investment income. For some programs interest earned on investments is applied to operating funding to offset program administration costs. Fund and program investments are segregated avoiding the need for allocation of investment income to each fund and program. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost, which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

### (E) PROVISION FOR UNSETTLED INDEMNITIES

The provision for unsettled indemnities relates to certain claims that remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management's best estimates of the amounts to be paid. Actual indemnity payments could differ from management's estimates.

### (F) REVENUE RECOGNITION

Premium revenues are recognized in the year in which the related crops are harvested.

## 3. Funding Agreements

### (A) PRODUCTION INSURANCE

The Canada-Ontario Implementation Agreement came into effect April 1, 2003 and expires March 31, 2008 or at a mutually agreed upon date. Under the terms of the Agreement, crop producers pay 40% of the insurance premium costs. The remainder of the insurance premium costs are paid by the Federal and Provincial governments, 60% and 40%, respectively.

### (B) INCOME STABILIZATION

For the Canadian Agricultural Income Stabilization Program, for the 2003 and 2004 program years producers were required to deposit, into a program bank account, an amount not to exceed two year's stabilization and disaster recovery as determined by the average difference between the producers' farm revenue and eligible production costs over a five-year period. No producer deposits were required for the 2005 program year. In addition to a withdrawal from the program bank account when a decline in farm income occurs, Canada and Ontario will pay a program benefit based on specified tiered coverage. The Federal and Provincial governments share the program costs on the basis of 60% and 40%, respectively.

### (C) ONTARIO GRAIN AND OIL SEED PROGRAM

Under the terms of the Ontario Grain and Oil Seed Program Agreement, Ontario will provide a maximum of \$80 million to compensate eligible grains and oil seed producers for losses on their 2005 crops.

### (D) OTHER PROGRAMS (NOTE 13)

#### Canada-Ontario General Top-Up Program

The Canada-Ontario General Top-Up Program was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, producers that participate in the Canadian Agricultural Income Stabilization Program (CAIS) and have received a payment under that program are eligible for a top-up payment that will be based on a fixed percentage of their 2003 and 2004 CAIS government benefits. The Canada-Ontario shared funding for the Program will not exceed \$88 million.

#### Market Revenue Program

The Market Revenue Program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement between the Government of Canada and the provinces and commenced

### 3. Funding Agreements (Continued)

operations on April 1, 1991. The program was intended to protect farmers against reduced income caused by low market prices for certain designated crops. In February 2005, the Ontario Government extended the Market Revenue Program to include the 2003 and 2004 crop years and announced that the program will be terminated when program funds have been depleted.

#### Ontario Edible Horticulture Crop Program

The Ontario Edible Horticulture Crop Payment Agreement came into effect on February 21, 2006 and expires on March 31, 2007. Under the terms of the agreement, Ontario will provide a maximum of \$35 million to compensate producers of edible horticulture crops for losses on their 2005 crops.

#### Plum Pox Program

The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario, and to assist commercial tender fruit growers and commercial nursery operators with the cost of tree removal, destruction, replacement and asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

#### Self-Directed Risk Management Program

The Self-Directed Risk Management Program was established under the Canada-Ontario Implementation Agreement and is to be in effect for 3 program years (2003-2005). Under the terms of the agreement, a producer deposits into the Program account up to 4% of their eligible net sales. Subject to the availability of federal and provincial funds, a matching contribution is made into the Program account by the Federal and Provincial governments. Claims are paid out of the

Program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. Over the 3 years the program is to be in effect, the Federal and Provincial governments agreed to share program costs equally.

### 4. Accounts Receivable

Accounts receivable consist of the following:

	2006 (\$ 000)	2005 (\$ 000)
Government funding – Canada	232,773	194,750
Government funding – Ontario	162,029	107,407
Producer receivables	47,242	22,757
Trade	2,021	1,042
Accrued interest	1,016	509
	<b>445,081</b>	<b>326,465</b>

### 5. Funds Under Administration

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture, Food and Rural Affairs. The funds required to make payments under these programs are provided by Ontario and Canada and these funds and related payments are not recorded in these financial statements.

	2006 (\$ 000)	2005 (\$ 000)
<b>Funds Under Administration</b>		
Short-term investments	—	10,489
Cash (Outstanding payments)	220	(894)
	<b>220</b>	<b>9,595</b>

#### Funds Under Administration Payable

Canada-Ontario General Top Up Program	—	7,383
Canada-Ontario Repositioning Program	56	1,513
Ontario BSE Recovery Program	—	372
Canada CULL Animal Program	—	93
Ontario Farm Business Registration Program	130	91
Ontario Farm Income Disaster Program	—	41
Canada-Ontario BSE Recovery Program	—	7
Other	34	95
	<b>220</b>	<b>9,595</b>

## 6. Investments

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

### (A) PORTFOLIO PROFILE

Investments are as follows:

	2006 (\$ 000)		2005 (\$ 000)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Short-term</b>	231,221	230,609	85,980	85,871
<b>Long-term</b>				
Government of Canada	29,175	29,045	37,588	37,719
Province of Ontario	47,012	46,371	37,739	37,956
Other provincial governments	63,098	61,743	37,789	37,943
Provincial utilities	31,285	32,374	32,395	34,428
Other financial institutions	6,564	6,703	6,737	7,035
Total long-term	177,134	176,236	152,248	155,081
<b>Total Investments</b>	408,355	406,845	238,228	240,952

### (B) INVESTMENT RISK

The coupon rates for the long-term bond portfolio ranged from 4.00% to 10.25% with a weighted average yield of 4.75%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual claims levels differed significantly from expected claims and quick liquidation of assets was required to meet obligations. At March 31, 2006, a 1% move in interest rates could impact the market value by approximately \$6.5 million.

### (C) MATURITY PROFILE OF THE INVESTMENT PORTFOLIO

	2006 (\$ 000)	2005 (\$ 000)
<1 Year	231,221	85,980
1-3 Years	58,684	56,813
3-5 Years	61,688	58,558
>5 Years	56,762	36,877
<b>Total</b>	408,355	238,228

## 7. Due from the Minister of Finance

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of the Corporation.

## 8. Capital Assets

	2006 (\$ 000)		2005 (\$ 000)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	4,495	3,661	834	980
Computer software	3,142	2,079	1,063	307
Leasehold improvements	1,128	248	880	63
Machinery and equipment	122	122	—	2
Vehicles	36	36	—	—
Furniture and fixtures	259	48	211	—
	9,182	6,194	2,988	1,352



## 9. Operating Funding — Ontario and Canada

Canada and Ontario have agreed to share the costs of administering the Production Insurance Fund and the Canadian Agricultural Income Stabilization Program at the rate of 60% and 40% respectively, and have agreed to share equally the costs of administering the Self-Directed Risk Management Program and the Canada-Ontario General Top-Up program. Canada has paid 100% of the administration cost incurred by Agricorp to deliver the Plum Pox Program and Ontario will reimburse the Corporation for the costs incurred to administer the other programs.

## 10. Unearned Premiums and Revenue

Unearned premiums represent premiums paid in advance to the Ontario Production Insurance Fund for winter wheat (\$11,163,000) and other crops (\$5,002,000). These crops are not harvested until after the end of the fiscal year, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related to the unamortized value of capital assets and prepaid subsidies (\$3,068,000) as well as administrative costs that are to be recovered from Canadian Agricultural Income Stabilization Program participants (\$3,302,000) when future program payments are made.

## 11. Reinsurance Agreement

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume production insurance losses based on negotiated thresholds. Payments made by reinsurance companies represent claims submitted for crop losses incurred by the Corporation.

## 12. Indemnities

The operating results for the current period includes over- and under-provisions for unsettled indemnities for prior years as follows:

Fund/Program	2006 (\$ 000)	2005 (\$ 000)
	Over (Under) Provision	Over (Under) Provision
Production Insurance Fund	300	(750)
Canadian Agricultural Income Stabilization Program*	10,000	—
Self-Directed Risk Management Program*	(1,045)	—

\* The Corporation assumed the responsibility for these programs during the 2004/05 fiscal year. Consequently, there was no provision for unsettled indemnities in 2004 that would require a disclosure of an over/under provision for 2005.

# > Notes to Financial Statements March 31, 2006

## 13. Segmented Information (Other Programs)

	Canada-Ontario General Top-Up Program	Market Revenue Program	Ontario Edible Horticulture Crop Program	Plum Pox Program	Self-Directed Risk Management Program	Total 2006	Total 2005
	(\$ 000)						
<b>Cash</b>	144	—	2	—	322	468	—
<b>Accounts receivable (Note 4)</b>	10,436	49	4,977	7,252	27,041	49,755	36,614
<b>Investments (Note 6)</b>	24,947	—	29,998	—	2,983	57,928	12,683
<b>Due from the Minister of Finance (Note 7)</b>	—	427	—	—	—	427	79,947
<b>Total Program Assets</b>	<b>35,527</b>	<b>476</b>	<b>34,977</b>	<b>7,252</b>	<b>30,346</b>	<b>108,578</b>	<b>129,244</b>
<b>Bank indebtedness</b>	—	—	—	307	—	307	1,256
<b>Accounts payable and accrued liabilities</b>	1,308	101	—	5,124	1,256	7,789	25,381
<b>Provision for unsettled indemnities (Note 12)</b>	34,219	366	34,977	1,821	29,090	100,473	102,607
<b>Program Balances</b>	—	9	—	—	—	9	—
<b>Total Program Liabilities and Balances</b>	<b>35,527</b>	<b>476</b>	<b>34,977</b>	<b>7,252</b>	<b>30,346</b>	<b>108,578</b>	<b>129,244</b>
<b>Premiums/contributions from producers</b>	—	—	—	—	13,997	13,997	12,000
<b>Funding – Ontario and Canada (Note 3)</b>	34,218	(124)	34,977	11,632	13,997	94,700	93,165
<b>Investment Income</b>	—	120	—	—	—	120	2,136
<b>Bad debt recoveries</b>	—	13	—	—	—	13	—
<b>Total Program Revenues</b>	<b>34,218</b>	<b>9</b>	<b>34,977</b>	<b>11,632</b>	<b>27,994</b>	<b>108,830</b>	<b>107,301</b>
<b>Indemnities (Note 12)</b>	34,218	—	34,977	11,632	27,994	108,821	201,173
<b>Bad debts</b>	—	—	—	—	—	—	192
<b>Total Program Expenses</b>	<b>34,218</b>	<b>—</b>	<b>34,977</b>	<b>11,632</b>	<b>27,994</b>	<b>108,821</b>	<b>201,365</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>—</b>	<b>9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>(94,064)</b>



## 14. Pension Plan

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Plan assets are invested in three balanced funds and one global equity fund. The changes in the fair value of plan assets during the year were as follows:

	2006 (\$ 000)	2005 (\$ 000)
Fair value of plan assets - beginning	4,827	3,681
Contributions by the corporation	833	517
Contributions by the employees	707	429
Benefit payments	(178)	(139)
Return on plan assets	509	339
Fair value of plan assets - ending	6,698	4,827

Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation, fair value of the net assets available to provide for the obligation and plan deficit, are as follows:

	2006 (\$ 000)	2005 (\$ 000)
Accrued pension obligation	8,152	5,487
Fair value of plan assets	6,698	4,827
Pension plan deficit	1,454	660

The pension plan remained in a deficit during the fiscal year due to lower than expected investment returns. Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7% per year, salary escalation was assumed to be 4% per year, and 5.50% was used as the discount rate to determine the accrued pension obligation.

Changes in the Corporation's accrued pension benefit liability (asset) were as follows:

	2006 (\$ 000)	2005 (\$ 000)
Accrued benefit liability (asset) - beginning	(41)	68
Pension expense for the year	996	408
Contributions by the corporation	(833)	(517)
Accrued benefit liability (asset) - ending	122	(41)

## 15. Related Party Transactions

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. Under the terms of the agreements the Corporation paid the Ministry \$986,877 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. In addition, the Corporation paid the Ontario Realty Corporation \$1,028,576 to rent their head office location.

## 16. Board Remuneration and Salary Disclosure

Total remuneration to members of the Board of Directors was \$23,762 during the year ending March 31, 2006 (2005 - \$25,031).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2005 calendar year, the amounts paid to such individuals is as follows:

Name	Position	Salary \$	Taxable Benefits \$
Brown, Greg	Executive Director, Business Development	111,622	1,126
Ip, Stephen	Director, Information Technology	107,273	6,360
Jackiw, Randy	Chief Executive Officer	163,204	11,087
McMorris, Mike	Director of Operations	106,523	361
Stroeter, Reinhold	Director of Finance	120,927	6,405

## 17. Subsequent Event

In its May 2, 2006 Budget Speech, the Federal Government announced additional one-time funding under the Canadian Agricultural Income Stabilization program. This will result in a re-evaluation of the claims paid from the inception of the program in 2003. Pending further details from the Federal Government, the Corporation has yet to determine the full financial impact of this change.

## 18. Comparative Figures

Certain comparative figures have been restated to conform to the current year's presentation.



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